

POLICY REVIEW AND DEVELOPMENT PANEL REPORT

REPORT TO:	Audit Committee		
DATE:	3 June 2019		
TITLE:	Draft 2019 Annual Governance Statement – covering the 2018/19 financial year		
TYPE OF REPORT:	Monitoring		
PORTFOLIO(S):	Leader		
REPORT AUTHOR:	Ged Greaves, Senior Policy and Performance Officer		
OPEN/EXEMPT	Open	WILL BE SUBJECT TO A FUTURE CABINET REPORT:	No

REPORT SUMMARY/COVER PAGE

PURPOSE OF REPORT/SUMMARY:

The Terms of Reference of the Audit Committee¹ state:

“The main areas of responsibility for the Audit Committee will be to:

- a. Monitor the Council’s responsibilities under the Accounts and Audit Regulations 2011, and approve the Statement of Accounts.*
- b. Review the Council’s assurance statements, including the Annual Governance Statement (AGS), to check that it properly reflects the risk environment and any actions required to improve it.”*

This report brings the council’s draft Annual Governance Statement (AGS) 2019 to the committee for review, challenge and an opportunity to input prior to the document being finalised and considered at the committee’s meeting in July 2019.

The preparation and publication of the AGS is a statutory requirement². The document is a public statement that describes and evaluates the council’s overall governance arrangements, in particular how it has complied with its Code of Corporate Governance during a particular financial year. The draft AGS is attached at Appendix A.

KEY ISSUES:

1. CIPFA³ issue guidance and a template to aid authorities in their work on their AGS; this is used as a framework, but the document is written with fresh content each year.
2. Section 7 of the report refers to the draft Action Plan devised for the 2019/20 year (shown on the final page of the document)
3. Input has been collated from executive directors, service managers and Internal Audit for the draft statement
4. External Audit will review the final version prior to the final version coming to the Audit Committee in July 2019.

OPTIONS CONSIDERED:

Options do not apply; the council must prepare, approve and publish a statement.

RECOMMENDATIONS:

The committee is invited to:

¹ As agreed by Full Council in June 2016

² Accounts and Audit Regulations 2015, regulation 6(1)

³ Chartered Institute of Public Finance and Accountancy

1. Review the draft Annual Governance Statement 2019 (as attached) and determine whether the work undertaken to review the governance arrangements in place during the 2018/19 year is appropriate and whether there are any gaps
2. Determine any additional actions the committee would like to be taken to inform the final version of the document which will be brought to the Committee in July 2019.

REASONS FOR RECOMMENDATIONS:

In order to ensure that the Audit Committee have the opportunity to review, challenge and provide input prior to the AGS being finalised and brought to the committee for approval in July 2019.

REPORT DETAIL

1. Introduction

- 1.1 The council's updated Code of Corporate Governance will be considered by Cabinet on 18 June 2019 and sets out seven core principles of good governance. These focus on the systems and processes for the direction and control of the council and its activities through which it accounts to, engages with and leads the community. These core principles are:

Principle 1 Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.

Principle 2 Ensuring openness and comprehensive stakeholder engagement.

Principle 3 Defining outcomes in terms of sustainable economic, social, and environmental benefits.

Principle 4 Determining the interventions necessary to optimise the achievement of the intended outcomes.

Principle 5 Developing the entity's capacity, including the capability of its leadership and the individuals within it.

Principle 6 Managing risks and performance through robust internal control and strong public financial management.

Principle 7 Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

- 1.2 The extent to which the council adheres to these principles is described in the Annual Governance Statement (AGS).

- 1.3 The preparation and publication of the AGS is a statutory requirement. The AGS is a public statement that describes and evaluates the council's overall governance arrangements during a particular financial year. It includes a self-assessment of the effectiveness of the governance arrangements, across all areas of activity, together with a statement of the actions being taken or required to address any areas of concern.

2. The draft Annual Governance Statement

- 2.1 The draft AGS has been produced in accordance with relevant guidance and notable practice and a comprehensive review has taken place to ensure that the suggested areas are included in the council's AGS for 2018/19. The format differs slightly from the previous year's due to the framework of the revised Code of Corporate Governance.
- 2.2 As the document is being brought to the Audit Committee in a draft form, a minor amount of information remains to be clarified and this is highlighted in yellow. As in previous year's this will be completed during the preparation of the final version.
- 2.3 Sections 1 and 2 are broadly the same as earlier editions of the AGS, these are 'introductory sections'.
- 2.4 Section 3 sets out the seven key principles of our Code of Corporate Governance.
- 2.5 Sections 4 through to 10 are the main body of the document and use the seven key principles as headings with detailed content to reflect practices during the year under review.
- 2.6 Section 11 describes how the council has discharged its responsibility to review the effectiveness of its governance framework including the system of internal control.
- 2.7 Section 12 draws attention to the 'Areas of special interest in terms of governance' that the council has in place. These are significant changes such as the establishment of council owned companies e.g. Alive West Norfolk.
- 2.8 Section 13 covers 'Known Changes in the 2019/20 year'.
- 2.9 Section 14 refers to the Action Plans devised for the 2018/19 year (see Appendix B of the draft AGS) and for the year ahead 2019/20 (see Appendix C of the draft AGS).
- 2.10 The development of the draft AGS, and the consultation process, has engaged service managers and executive directors. In particular, input has been obtained at this stage from the Internal Audit Manager, the S151 Officer and the Policy, Performance and Personnel Manager.

3. Issues for the committee to consider

- 3.1 The following areas have been identified as aspects the committee may wish to consider:
- i. Does the AGS cover all areas of our operations?
 - ii. Is it meaningful, easy to read and underpinned by robust evidence?
 - iii. Does it accurately reflect our control structure and a sense of its risks, vulnerabilities and resilience to challenges?
 - iv. Has compliance with the Code of Corporate Governance been assessed and have any departures from it been disclosed and explained?

4.0 Corporate Priorities

Not applicable, the AGS is a statutory requirement.

5.0 Policy Implications

None.

6.0 Financial Implications

None.

7.0 Personnel Implications

None.

8.0 Statutory Considerations

8.1 The adoption of the Annual Governance Statement will be required in July 2019 to comply with the Accounts and Audit Regulations.

9.0 Equality Opportunity Considerations

None.

10.0 Risk Management Implications

10.1 The Annual Governance Statement forms part of the council's overall control framework and will provide reasonable assurance once adopted in July 2019 (as defined in section 8 of the AGS itself) that the council is complying with the adopted Code of Corporate Governance.

10.2 The Audit Committee is inputting at a draft stage to help maintain an effective approach to producing the AGS. If this approach is not taken, it may lead to the council being:

- unable to meet its statutory duty
- unable to demonstrate it has effective corporate governance arrangements in place
- open to criticism from external audit.

11.0 Recommendations

The committee is invited to

1. Review the draft Annual Governance Statement 2019 (as attached) and determine whether the work undertaken to review the governance arrangements in place during the 2018/19 year is appropriate and whether there are any gaps
2. Determine any additional actions the committee would like to be taken to inform the final version of the document which will be brought to the committee in July 2019.

12.0 Declarations of Interest / Dispensations Granted

None

Background Papers

CIPFA/SOLACE Framework including Guidance Notes and Addendum

Cabinet / Panel agendas

Code of Corporate Governance

Various policies, strategies, procedures

Council Constitution